



Meter Reader

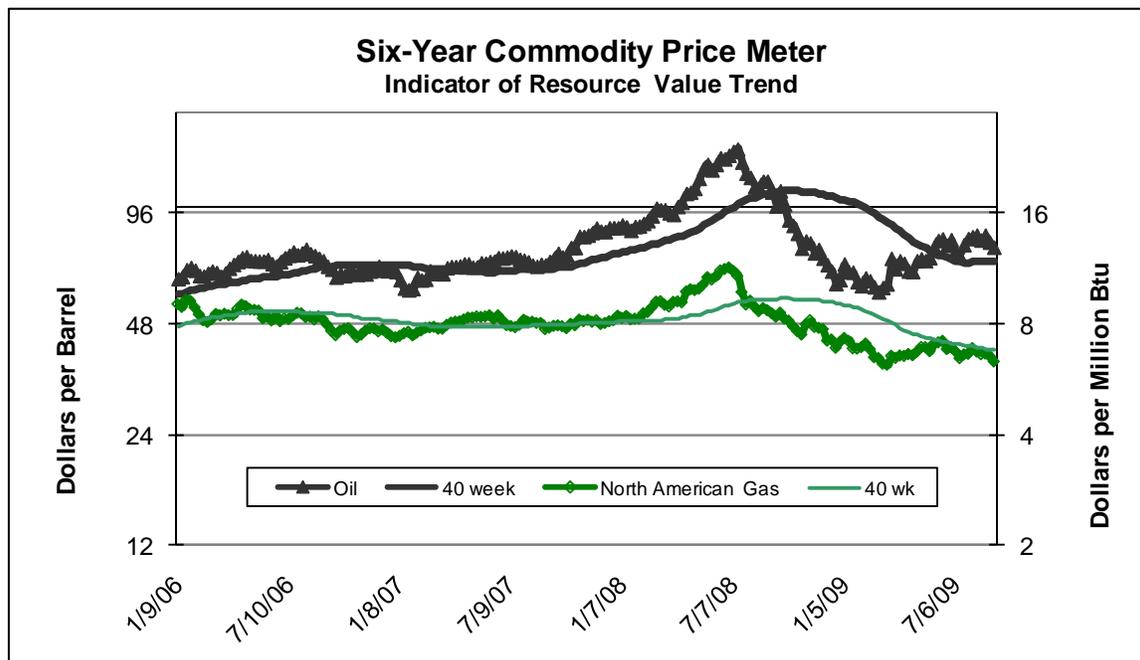
A Weekly Analysis of Large Cap Oil and Gas Stocks
September 8, 2009

Getting Oil Sands Right

Summary and Recommendation

Investors in any of our five large cap Canadian buy recommendations, **Canadian Oil Sands Trust (COSWF)**, **Encana (ECA)**, **Imperial Oil (IMO)**, **Suncor Energy (SU)** and **Canadian Natural Resources (CNQ)**, gained confirmation of growing takeaway capacity for future oil sands production with the U.S. diplomatic approval of the Alberta Clipper pipeline project on August 20. Secretary of State Hillary Clinton got it right, we believe. Environmentalists had raised concerns that oil sands production would have an adverse impact on the planet. While the sheer volume of energy generates emissions, the size of the facilities enables efficient mitigation efforts. Alberta also has a “carbon tax” to control greenhouse gas, for example, while the U.S. debates the issues. Large as oil sands production may become, say three million barrels daily, it would be a tenth of U.S. coal production with its weaker environmental control. In the end, an investment in any of the five Canadian companies is an investment in valuable energy for North American economic growth. Finally, the oil price trend continues upward with the latest settlement prices for the average of futures for the next six years at \$77 a barrel compared to the 40-week average of \$71 (see charts [Six-Year Commodity Price Meter](#) below and [Six-Year and One-Year Natural Gas and Oil Futures](#), page 6).

Kurt H. Wulff, CFA





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Table 1											
McDep Energy Portfolio											
Geographic Domicile and Business Segments											
						<i>Present Value by Segment (%)</i>					
	<i>Symbol/Rating</i>		<i>Price</i>	<i>EV/</i>	<i>Enterprise</i>	<i>North</i>	<i>Rest</i>				
	<i>B = Buy</i>	<i>4-Sep</i>	<i>Market</i>	<i>Value</i>	<i>Natural</i>	<i>Natural</i>	<i>Oil</i>	<i>Down-</i>	<i>McDep</i>		
	<i>H = Hold</i>	<i>2009</i>	<i>Cap</i>	<i>(\$mm)</i>	<i>Gas</i>	<i>Gas</i>	<i>Prod'n</i>	<i>stream</i>	<i>Ratio</i>		
U.S. Integrated											
Exxon Mobil Corporation	XOM	B	69.18	1.14	384,000	5	25	48	22	0.80	
Chevron Corporation	CVX	B	68.96	1.24	170,000	4	10	70	16	0.75	
Marathon Oil Corporation	MRO	B	30.74	1.53	33,400	8	5	61	26	0.68	
ConocoPhillips	COP	B	44.97	1.77	119,000	12	9	64	14	0.57	
<i>Total or Median *</i>	<i>31%</i>	<i>9%</i>	<i>14%</i>		<i>706,000</i>					<i>0.72</i>	
Europe											
BP plc	BP	B	53.19	1.39	233,000	7	9	60	24	0.80	
BG Group	BRGXF	B	16.60	1.13	63,400		23	45	32	0.78	
Royal Dutch Shell plc	RDS-A	B	55.68	1.33	227,000	2	22	43	32	0.76	
StatoilHydro ASA (33%)	STO	B	21.56	1.43	32,400		52	48	-	0.70	
Total S.A.	TOT	B	57.45	1.26	162,000		19	59	22	0.69	
<i>Total or Median *</i>	<i>32%</i>	<i>12%</i>	<i>17%</i>		<i>718,000</i>					<i>0.76</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	B	133.44	1.01	20,500		11	89	-	0.99	
PetroChina Company Ltd (14%)	PTR	B	114.30	1.09	31,900		15	69	15	0.78	
Petrobras	PBR	B	41.86	1.20	220,000		7	77	16	0.76	
Lukoil Oil Company	LUKOY	B	48.40	1.16	47,700			67	33	0.39	
Gazprom (50%)	OGZPY	B	20.30	1.29	82,000		80	20	-	0.37	
<i>Total or Median *</i>	<i>18%</i>	<i>12%</i>	<i>17%</i>		<i>402,000</i>					<i>0.76</i>	
U.S. Independent											
Anadarko Petroleum Corp.	APC	B	54.78	1.54	41,800	47		48	5	0.95	
XTO Energy Inc.	XTO	B	37.16	1.52	32,700	75		25	-	0.85	
Occidental Petroleum Corp.	OXY	B	72.73	1.10	64,900	9	1	80	9	0.85	
Chesapeake Energy Corp.	CHK		22.20	2.07	28,000	85		15	-	0.80	
EOG Resources	EOG	B	70.47	1.15	20,200	72	4	24	-	0.79	
Devon Energy Corporation	DVN	B	61.78	1.33	37,100	61		39	-	0.69	
<i>Total or Median *</i>	<i>10%</i>	<i>14%</i>	<i>17%</i>		<i>225,000</i>					<i>0.82</i>	
Canada											
Encana Corporation	ECA	B	51.37	1.33	51,300	65		30	5	0.87	
Canadian Natural Resources	CNQ	B	58.50	1.38	43,700	20		80	-	0.79	
Imperial Oil Limited (30%)	IMO	B	36.42	1.09	10,200	-		83	17	0.77	
Suncor Energy	SU	B	31.23	1.35	66,100	6		86	7	0.67	
Canadian Oil Sands Trust	COSWF	B	24.53	1.12	13,300			100	-	0.61	
<i>Total or Median *</i>	<i>8%</i>	<i>12%</i>	<i>17%</i>		<i>185,000</i>					<i>0.77</i>	
Income and Small Cap (see separate weekly analysis)											
	<i>2%</i>	<i>42%</i>	<i>17%</i>		<i>38,300</i>	<i>40</i>		<i>60</i>		<i>0.80</i>	
Composite											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,274,300</i>	<i>10</i>	<i>15</i>	<i>57</i>	<i>18</i>	<i>0.73</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>32</i>	<i>7</i>	<i>53</i>	<i>7</i>	<i>0.76</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>25</i>	<i>10</i>	<i>54</i>	<i>10</i>	<i>0.74</i>	
* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.											
* Percentages in Price column refer to equal weighted buys.											



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Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)	Shares	Market	Present	Debt/	
	B = Buy	4-Sep			Cap	Value	Present	McDep
	H = Hold	2009		(mm)	(US\$mm)	(US\$/sh)	Value	Ratio
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	69.18	4,871	337,000	89.00	0.10	0.80
Chevron Corporation	CVX	B	68.96	1,992	137,000	97.00	0.14	0.75
Marathon Oil Corporation	MRO	B	30.74	711	21,860	53.00	0.23	0.68
ConocoPhillips	COP	B	44.97	1,496	67,000	105.00	0.25	0.57
<i>Total or Median</i>					<i>563,000</i>		<i>0.19</i>	<i>0.72</i>
Europe								
BP plc	BP	B	53.19	3,155	168,000	72.00	0.22	0.80
BG Group plc	BRGXF	B	16.60	3,388	56,240	22.00	0.09	0.78
Royal Dutch Shell plc	RDS-A	B	55.68	3,065	171,000	79.00	0.19	0.76
StatoilHydro ASA (33%)	STO	B	21.56	1,051	22,650	35.00	0.21	0.70
Total S.A.	TOT	B	57.45	2,236	129,000	90.00	0.14	0.69
<i>Total or Median</i>					<i>547,000</i>		<i>0.19</i>	<i>0.76</i>
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	133.44	152	20,300	135.00	0.01	0.99
PetroChina Company Ltd (14%)	PTR	B	114.30	256	29,280	150.00	0.06	0.78
Petrobras	PBR	B	41.86	4,387	183,640	58.00	0.13	0.76
Lukoil Oil Company	LUKOY	B	48.40	847	41,000	135.00	0.06	0.39
Gazprom (50%)	OGZPY	B	20.30	3,130	63,500	64.00	0.08	0.37
<i>Total or Median</i>					<i>338,000</i>		<i>0.06</i>	<i>0.76</i>
U.S. Independent								
Anadarko Petroleum Corp.	APC	B	54.78	495	27,100	59.00	0.33	0.95
XTO Energy Inc.	XTO	B	37.16	579	21,520	47.00	0.29	0.85
Occidental Petroleum Corp.	OXY	B	72.73	814	59,200	87.00	0.07	0.85
Chesapeake Energy Corp.	CHK		22.20	610	13,540	34.00	0.41	0.80
EOG Resources	EOG	B	70.47	250	17,600	92.00	0.10	0.79
Devon Energy Corporation	DVN	B	61.78	450	27,800	98.00	0.17	0.69
<i>Total or Median</i>					<i>166,800</i>		<i>0.23</i>	<i>0.82</i>
Canada								
Encana Corporation	ECA	B	51.37	751	38,600	62.00	0.21	0.87
Canadian Natural Resources	CNQ	B	58.50	542	31,700	80.00	0.22	0.79
Imperial Oil Limited (30%)	IMO	B	36.42	256	9,340	48.00	0.06	0.77
Suncor Energy	SU	B	31.23	1,572	49,080	52.00	0.17	0.67
Canadian Oil Sands Trust	COSWF	B	24.53	484	11,870	42.00	0.06	0.61
<i>Total or Median</i>					<i>141,000</i>		<i>0.17</i>	<i>0.77</i>

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$8 a million btu.

Please see disclosures on the final page.

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Table 3								
McDep Energy Portfolio								
Value Multiples and Distribution Yield								
			Price	Adjustd				Divd or
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/		Distrib
	B = Buy		4-Sep	Prod	Ebitda	Ebitda	P/E	NTM
	H = Hold		2009	NTM	NTM	NTM	NTM	(%)
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	69.18	12.4	8.7	6.9	13	2.4
Chevron Corporation	CVX	B	68.96	9.8	7.9	5.9	15	3.9
ConocoPhillips	COP	B	44.97	10.6	9.1	5.2	9	4.2
Marathon Oil Corporation	MRO	B	30.74	8.3	7.1	4.8	10	3.1
	<i>Total or Median</i>			<i>10.2</i>	<i>8.3</i>	<i>5.5</i>	<i>11</i>	<i>3.5</i>
Europe								
BG Group plc	BRGXF	B	16.60	8.8	9.2	7.2	15	1.2
BP plc	BP	B	53.19	9.6	7.9	6.3	12	6.3
Royal Dutch Shell plc	RDS-A	B	55.68	7.9	7.7	5.8	12	6.0
Total S.A.	TOT	B	57.45	9.7	8.4	5.8	12	5.7
StatoilHydro ASA (33%)	STO	B	21.56	7.5	7.2	5.0	15	5.6
	<i>Total or Median</i>			<i>8.8</i>	<i>7.9</i>	<i>5.8</i>	<i>12</i>	<i>5.7</i>
Brazil/China/Russia								
Petrobras	PBR	B	41.86	9.2	10.7	8.1	15	3.2
PetroChina Company Ltd (14%)	PTR	B	114.30	14.0	8.7	6.8	19	3.5
CNOOC Limited (34%)	CEO	B	133.44	7.2	6.6	6.5	12	3.9
Lukoil Oil Company	LUKOY	B	48.40	16.3	9.4	3.7	7	2.5
Gazprom (50%)	OGZPY	B	20.30	24.6	8.9	3.3	4	1.7
	<i>Total or Median</i>			<i>14.0</i>	<i>8.9</i>	<i>6.5</i>	<i>12</i>	<i>3.2</i>
U.S. Independent								
XTO Energy Inc.	XTO	B	37.16	11.0	11.7	9.9	28	1.6
Chesapeake Energy Corp.	CHK		22.20	11.3	12.1	9.6	15	1.4
Anadarko Petroleum Corp.	APC	B	54.78	9.2	9.1	8.7		0.7
EOG Resources	EOG	B	70.47	10.1	10.7	8.5	27	0.8
Occidental Petroleum Corp.	OXY	B	72.73	11.0	8.0	6.8	15	1.8
Devon Energy Corporation	DVN	B	61.78	8.4	8.6	5.9	12	1.0
	<i>Total or Median</i>			<i>10.5</i>	<i>9.9</i>	<i>8.6</i>	<i>15</i>	<i>1.2</i>
Canada								
Imperial Oil Limited (30%)	IMO	B	36.42	18.4	14.7	11.4	23	1.0
Encana Corporation	ECA	B	51.37	9.1	10.2	8.8	20	0.8
Canadian Oil Sands Trust	COSWF	B	24.53	22.1	14.1	8.6	13	8.6
Canadian Natural Resources	CNQ	B	58.50	7.6	9.7	7.7	14	0.6
Suncor Energy	SU	B	31.23	12.5	10.7	7.2	80	0.6
	<i>Total or Median</i>			<i>12.5</i>	<i>10.7</i>	<i>8.6</i>	<i>20</i>	<i>0.8</i>
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



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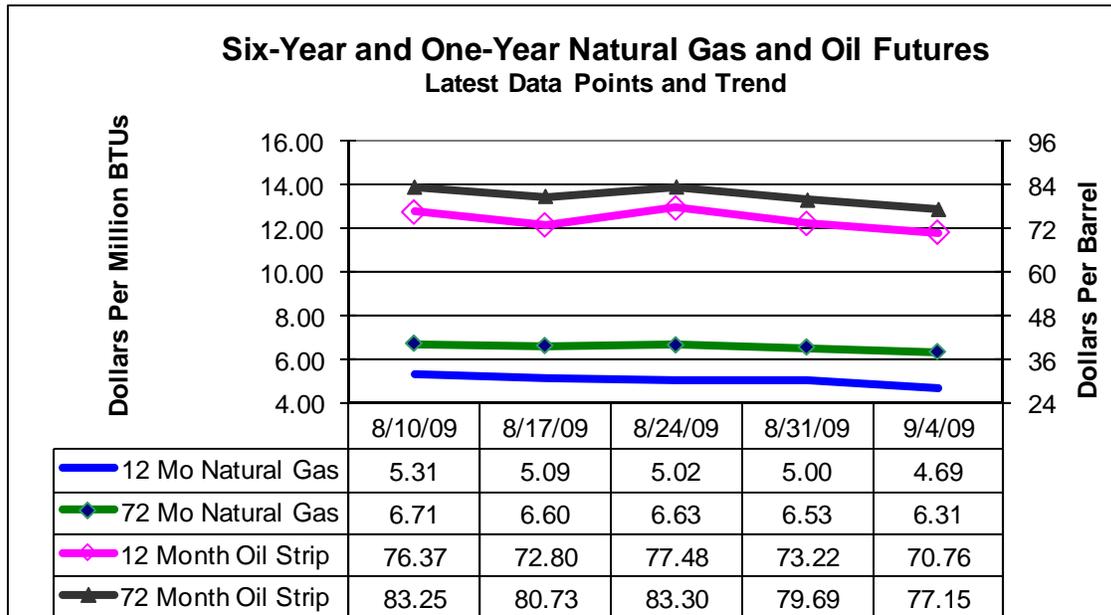
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Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
4-Sep	SJT	San Juan Basin Royalty Trust	Upgrade to Buy (Income and Small Cap Weekly)
1-Sep	XOM	Exxon Mobil Corporation	Stock May Be Timely (Meter Reader)
30-Aug	LUKOY	Lukoil Oil Company	Contributing to Russia's Oil Future
30-Aug	PTR	PetroChina Company Limited	Growing Giant in Clean Energy
26-Aug	CEO	CNOOC Ltd	Full Current Valuation, Promising Prospects
26-Aug	OGZPY	Gazprom	Natural Gas Giant Reemerging
14-Aug	* BIR.TO	Birchcliff Energy Ltd.	Spirited Small Cap Canadian Nat Gas Producer (ISCW)
12-Aug	PWE	Penn West Energy Trust	Reduce NPV on Volume Trend
11-Aug	DMLP	Dorchester Minerals, L.P.	Income Competitive with Growth
7-Aug	* XEC	Cimarex Energy Company	Cana Shale Working Well
7-Aug	* EOG	EOG Resources Inc.	Low-Debt Natural Gas Growth
6-Aug	* CNQ	Canadian Natural Resources	First Cash from Horizon
5-Aug	* BRY	Berry Petroleum	Back on Track
5-Aug	* XTO	XTO Energy Inc.	Cutting Edge Natural Gas Producer
5-Aug	* DVN	Devon Energy Corporation	Stock Price Moves to Uptrend
4-Aug	* APC	Anadarko Petroleum Corporation	Frontier Exploration Off West Africa
4-Aug	* STO	StatoilHydro ASA	Natural Gas Growth with Dividends
3-Aug	* MRO	Marathon Oil Corporation	Favorable Trends for Future Profit
31-Jul	* CVX	Chevron Corporation	Strength in Tough Times
31-Jul	* TOT	Total S.A.	Real Return and Secure Income
30-Jul	* IMO	Imperial Oil Limited	Downstream Hiccup
30-Jul	* PCZ	Petro-Canada	Good Bye Petro-Canada, Hello Suncor
30-Jul	* RDSA	Royal Dutch Shell plc	Gaining Efficiency in Exploration and Production
29-Jul	* BRGXF	BG Group	Progressing in Pre-Salt Brazil
29-Jul	* EAC	Encore Acquisition Company	Tertiary Recovery Project Announced
29-Jul	* COP	ConocoPhillips	Positioned for Recovery
28-Jul	* BP	BP p.l.c.	Trending Up
27-Jul	* COSWF	Canadian Oil Sands Trust	Quarterly Distribution Raised to C\$0.25 a Unit
23-Jul	* OXY	Occidental Petroleum Corporation	California Discovery May Be Worth \$2 a Share
23-Jul	* ECA	EnCana Corporation	Hedges Helping in 2009
22-Jul	* SU	Suncor Energy	Merger with Petro-Canada to be Effective August 1
10-Jul	* HGT	Hugoton Royalty Trust	Rounding the Bend (Income and Small Cap Weekly)
5-May	* PBR	Petrobras	New Buy on Oil Growth
Meter Reader			
8-Sep		Weekly	
1-Sep		Exxon Mobil Corporation (XOM)	Stock May Be Timely
11-Aug	*	Weekly	North American Natural Gas Buys
4-Aug	*	Weekly	High Quality Energy Investment
Income and Small Cap Weekly			
4-Sep		San Juan Basin Royalty Trust	Upgrade to Buy from Hold
14-Aug	*	Birchcliff Energy Ltd.	Spirited Small Cap Canadian Natural Gas Producer
7-Aug	*	Weekly	Volatile Geographic Differences Narrow for Natural Gas
31-Jul	*	MTR	Deducing the Trend at Mesa Royalty Trust
Industry Ideas			
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
	*	Archived on www.mcdep.com	



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Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.